

CLINTON FOREST LIMITED
BUSINESS UNIT LAR.
CORPORATION FILE

ANNUAL REPORT 1968

Philadelphia Electric Company



*Control center,
Pennsylvania-New Jersey-
Maryland Interconnection*



Annual Report 1968

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ANNUAL MEETING The annual meeting of the shareholders of the Company will be held on April 9 at twelve o'clock noon at the office of the Company, Edison Building, Ninth and Sansom Streets, Philadelphia. Shareholders of record at the close of business February 28 are entitled to vote at this meeting. Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.



Philadelphia, commercial hub of Southeast Pennsylvania

BOARD OF DIRECTORS

- *GUSTAVE G. AMSTERDAM *President, Bankers Securities Corporation*
*GEORGE H. BROWN, JR. *Chairman of the Board, Girard Trust Bank*
CHARLES K. COX *President, Insurance Company of North America*
JAMES L. EVERETT *Executive Vice President of the Company*
*ROBERT F. GILKESON *President of the Company*
WILLIAM W. HAGERTY *President, Drexel Institute of Technology*
*WILLIAM G. HAMILTON, JR. *President, American Meter Company*
PAUL R. KAISER *President, Tasty Baking Company*
VINCENT P. MCDEVITT *Vice President and General Counsel of the Company*
JOHN R. PARK *President, Acme Markets, Inc.*
*ROY G. RINCLIFFE *Chairman of the Board of the Company*
G. STOCKTON STRAWBRIDGE *Chairman of the Board, Strawbridge & Clothier*

**Member of Executive Committee, of which Mr. Rincliffe is chairman.*

OFFICERS

- ROY G. RINCLIFFE *Chairman of the Board*
ROBERT F. GILKESON *President*
JAMES L. EVERETT *Executive Vice President*
GEORGE R. CONOVER *Senior Vice President*
VINCENT P. MCDEVITT *Vice President and General Counsel*
ROBERT P. LIVERSIDGE *Vice President—Electric Operations*
WILLIAM H. JONES *Vice President—Purchasing and Service Operations*
J. HENRY LONG *Vice President—Gas Operations*
CHARLES W. WATSON *Vice President—General Administration*
ALLAN G. MITCHELL *Vice President—Finance and Accounting*
JOHN M. WARNER *Vice President—Sales*
HENRY T. BRYANS *Vice President—Personnel and Public Relations*
VINCENT S. BOYER *Vice President—Engineering and Research*
VINCENT J. WALSH *Secretary*
GEORGE W. MILLER *Treasurer*
WILLIAM F. BERGAN *Assistant Secretary*
DAVID W. EVANS, JR. *Assistant Treasurer*
ALFRED M. NEWILL *Assistant Treasurer*

GENERAL OFFICE: 1000 CHESTNUT STREET, PHILADELPHIA, PA. 19105

FISCAL AGENTS ARE SHOWN ON PAGE 30



HIGHLIGHTS

Common Stock earnings were \$2.13 per average share, the same as 1967, when fewer average shares were outstanding. Earnings included a nonrecurring credit of 19 cents a share arising from a change in accounting for investment tax credits.

Dividends paid on Common Stock amounted to \$1.64 a share, part of which was not subject to federal income tax.

Revenue increased to a new high of \$405 million.

Expenses rose to \$313 million as output increased and additional maintenance expenses were incurred because of substantially higher air conditioning loads during hot summer weather.

Funds for construction were provided by the sale of two issues of bonds totaling \$103,000,000, by the sale of commercial paper, and by bank loans, depreciation accruals, and retained earnings.

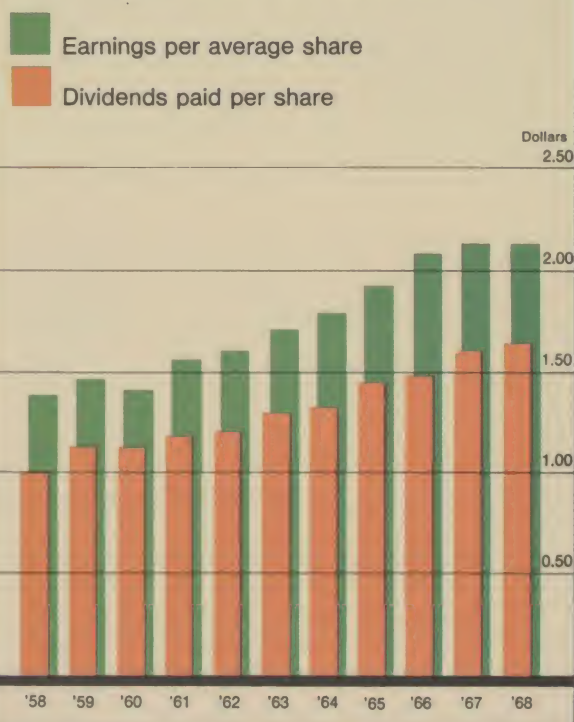
DIVIDENDS PARTIALLY NONTAXABLE

In 1968, for the first time, a portion of the dividends paid on the Company's Common Stock represented a return of capital for federal income tax purposes and was, therefore, not taxable as follows:

Payment Date	Dividend Per Share	Portion Taxable	Portion Nontaxable
March 28	41¢	100%	—
June 27	41¢	72%	28%
September 27	41¢	64%	36%
December 20	41¢	64%	36%

These percentages were determined by the Company and are subject to review and adjustment by the Internal Revenue Service.

Earnings and Dividends

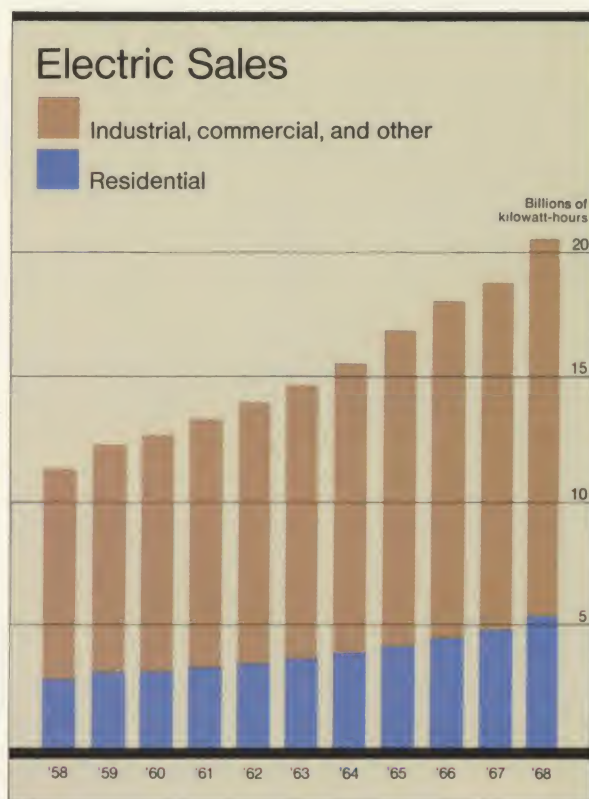


FINANCIAL FACTS IN BRIEF

(Thousands of Dollars)

REVENUE

	1968	1967	Increase or (Decrease)	Per Cent Increase or (Decrease)
Operating Revenue	\$405,231	\$376,528	\$28,703	7.6
Other Income	592	779	(187)	(24.0)
	<u>405,823</u>	<u>377,307</u>	<u>28,516</u>	<u>7.6</u>
OPERATING EXPENSES including Maintenance, Depreciation, and Taxes	312,974	289,023	23,951	8.3
OTHER INCOME DEDUCTIONS	606	528	78	14.8
INCOME BEFORE INTEREST CHARGES	<u>92,243</u>	<u>87,756</u>	<u>4,487</u>	<u>5.1</u>
INTEREST CHARGES	32,123	24,552	7,571	30.8
INCOME BEFORE EXTRAORDINARY ITEM	<u>60,120</u>	<u>63,204</u>	<u>(3,084)</u>	<u>(4.9)</u>
EXTRAORDINARY ITEM (See page 23)	5,518	—	5,518	—
NET INCOME	<u>65,638</u>	<u>63,204</u>	<u>2,434</u>	<u>3.9</u>
DIVIDENDS ON PREFERRED STOCK	3,696	3,696	—	—
EARNINGS AVAILABLE FOR COMMON STOCK	<u>61,942</u>	<u>59,508</u>	<u>2,434</u>	<u>4.1</u>
DIVIDENDS ON COMMON STOCK	47,612	44,806	2,806	6.3
EARNINGS RETAINED FOR USE IN THE BUSINESS	<u>\$ 14,330</u>	<u>\$ 14,702</u>	<u>(\$ 372)</u>	<u>(2.5)</u>
SHARES OF COMMON STOCK—Average	29,031,919	27,879,859	1,152,060	4.1
EARNINGS PER AVERAGE SHARE				
Before Extraordinary Item	\$1.94	\$2.13	(\$.19)	(8.9)
Extraordinary Item (See page 23)19	—	.19	—
After Extraordinary Item	<u>\$2.13</u>	<u>\$2.13</u>	<u>—</u>	<u>—</u>
DIVIDENDS PAID PER SHARE	\$1.64	\$1.60	\$.04	2.5



Revenue Rises

Total operating revenue from sales of electricity, gas, and steam rose to a record \$405 million in 1968, a 7.6 per cent increase, compared with an average annual gain of 4.4 per

cent in the previous five-year period. Gains in each service contributed to this increase and reflected the addition of new customers, greater average use per customer, favorable business conditions, and vigorous sales promotion.

Electric revenue, influenced by summer cooling loads, climbed to \$326 million, continuing its uninterrupted upward trend. Sales to residential customers and to large commercial and industrial users showed the greatest increases, each gaining more than 9 per cent. The wide diversification of industry in Southeast Pennsylvania is an important factor in the steady growth of revenue from power sales to large industrial customers.

Gas revenue increased to \$70 million, reflecting continued growth in the Company's gas business in the four counties surrounding Philadelphia. New customers for residential heating and greater commercial and industrial sales contributed to the 4.8 per cent increase. Steam revenue rose 5.9 per cent to more than \$9 million.

OPERATING EXPENSES

(Thousands of Dollars)

	1968	1967	Increase or (Decrease)	Per Cent Increase or (Decrease)
Operating Labor	\$ 86,296	\$ 81,474	\$ 4,822	5.9
Fuel Used in All Operations	93,708	85,604	8,104	9.5
Net Energy Interchanged	5,325	(1,644)	6,969	—
Other Materials, Supplies, and Services	32,642	30,295	2,347	7.7
Total Operation and Maintenance Expense	217,971	195,729	22,242	11.4
Depreciation and Amortization	45,388	41,833	3,555	8.5
Taxes	49,615	51,461	(1,846)	(3.6)
Total Operating Expenses	<u>\$312,974</u>	<u>\$289,023</u>	<u>\$23,951</u>	<u>8.3</u>

The Revenue Dollar

Where it came from...

Electric revenue 80¢

Steam revenue 3¢

Gas revenue 17¢

Where it went...

Operation and maintenance expense 54¢

Labor 21¢

Fuel 23¢

Other 10¢

Federal, state, and local taxes 12¢

Depreciation of plant and equipment 11¢

Interest and preferred dividends 9¢

Common stock dividends 12¢

Retained earnings* 2¢

*Excluding extraordinary item

Expenses Are Higher

Total operating expenses, amounting to \$313 million, increased 8.3 per cent. As the table opposite indicates, the largest item of expense continued to be fuel costs, which rose because of greater electric output and higher coal prices. Purchases of economy interchange energy increased in line with higher demands for electricity. Operating labor costs, the second largest class of expense, climbed 5.9 per cent.

Despite the 10 per cent federal income tax surcharge and higher state tax rates, the overall provision for taxes decreased slightly, reflecting lower taxable income and an accounting change which increased the amount of investment tax credits taken in the current year. The provision for depreciation was up because of new plant and equipment placed in service.

Application for Rate Increase

New tariffs, increasing rates for all classes of electric service and for steam service in Philadelphia, were filed with the Pennsylvania Public Utility Commission on December 5, 1968. The electric rate increase was suspended by the Commission on January 27, 1969, pend-

ing public hearings. The increase in steam rates became effective February 3.

In making application for these rate increases, the Company pointed out that operating economies and efficiencies can no longer keep pace with rising costs. Since 1949, labor costs have more than doubled, as has the cost of borrowing money to finance new facilities. For example, the \$60-million bond issue, sold by the Company in March 1968, required a 6½ per cent interest rate, compared with 2½ per cent interest on bonds sold in 1948. Material and equipment prices have also risen substantially.

The new rate schedules provide the first general increase in electric rates since 1949. Since that time, reductions have benefited customers with savings of more than \$10 million annually. Steam rates in Philadelphia were last increased in 1952.

It is estimated that the new rates, based on the current level of business, will produce approximately \$32 million in additional annual revenue before taxes, and \$14 million after taxes.



All-electric apartment



Gas and electric apartment community



All-electric office building

Marketing

Guided by stepped-up market research, sales efforts in 1968 were intensified in those markets showing greatest potential for growth and profitability. Electric space heating was actively promoted because of its growing public appeal and because this market provides a desirable economy offsetting increasingly heavy summer air conditioning loads. Scores of meetings brought together groups of builders, contractors, influential architects, and engineers for seminars on electric space conditioning.

Residential Sales Training programs in 1968 gave emphasis to the planning and selling of complete electric heating systems, including insulation and the installation of storm windows when desired. Plans were developed to finance these facilities by installment payments added to customers' service bills. A total of more than 4300 residential electric heating systems were sold by all suppliers during the year. In the older home market, promotion of electric and gas space heating led to 2380 conversions from other fuels.

In the rehabilitation field, the Company is cooperating with urban housing authorities in making all-electric service available to low-income families. One project, involving the rehabilitation of 300 housing units, has attracted widespread attention. In addition to designing the service, Philadelphia Electric made all arrangements for private financing and contracting.

Commercial and Industrial Sales Aggressive marketing was effective in closing contracts for new electric, gas, and steam loads totaling approximately \$12 million in additional annual revenue. Two gas contracts—one with a large steelmaker, the other with a tire manufacturer—accounted for \$1,300,000 of this total.



PROFILES OF PROGRESS

*New shopping centers,
industrial plants, and
commercial complexes
mirror Southeast
Pennsylvania's growth.*

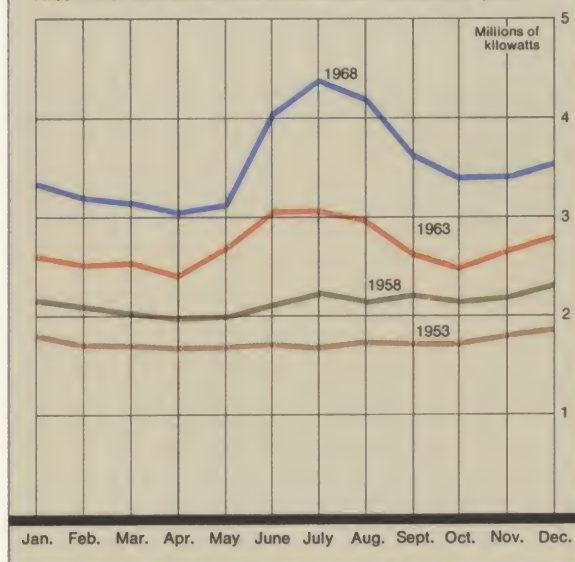


*Electric floodlighting promotes evening
sports and after-dark shopping.*



Changing Peak Load Pattern

Continued growth of air conditioning has shifted annual peak load from winter to summer. Promotion of electric heating will help to raise winter load and achieve more efficient utilization of plant.



Commercial sales are important in Philadelphia Electric's growth. Eleven major building projects are under way in center city Philadelphia whose total energy requirements the Company expects to supply with electricity and steam. These new accounts will produce approximately \$2 million a year in additional revenue.

Area Development Ready access to markets and materials makes Southeast Pennsylvania a leading industrial area. Business is highly diversified. Philadelphia Electric's customers represent more than 90 per cent of the various types of industries listed in the U. S. Census.

The Company plays an active role in attracting viable, new industry to Southeast Pennsylvania. To aid in plant location, it recently set up a unique random-access data processing system capable of indicating, within seconds, all available sites meeting a prospect's requirements. More than 29,000 acres of suitably zoned land are listed for development, including a number of tracts situated in modern industrial parks.

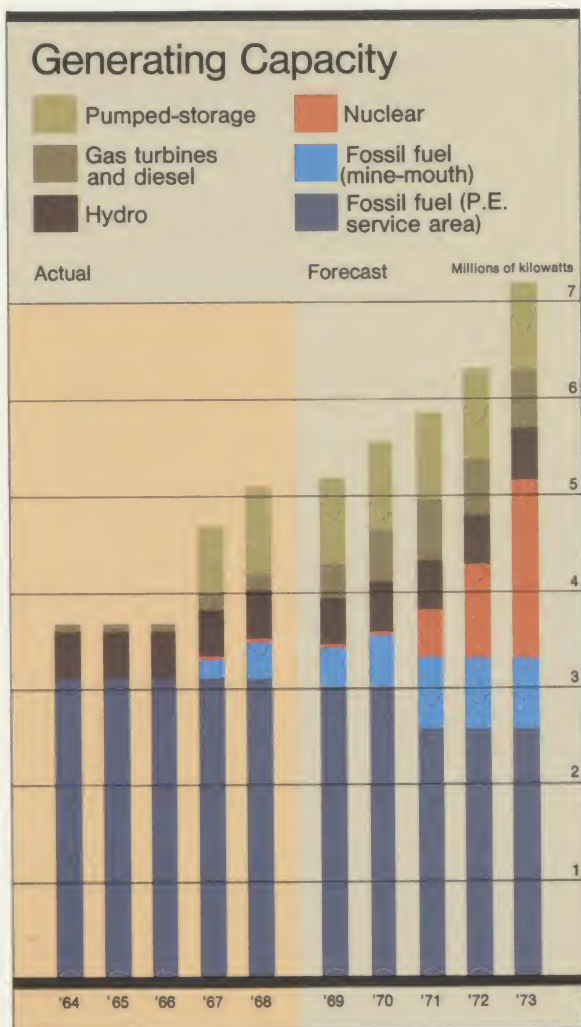
To widen its opportunities in the area's energy markets, the Company cooperates closely with nationally known developers and local builders in the establishment of new industrial parks, shopping centers, and modern living complexes.

Electric Operations

Power output in 1968 totaled 22.1 billion kilowatt-hours, almost 10 per cent higher than that of the previous year. Steam power plants, using fossil fuels, supplied 81 per cent of this total; hydroelectric production furnished 5 per cent; and power interchanges with other utilities added 13 per cent. The Peach Bottom atomic power station, diesel units, and internal combustion turbines accounted for the remaining 1 per cent. As a result of unusually heavy air conditioning load, an all-time hourly peak demand of 4,375,000 kilowatts was recorded on July 18, which exceeded the previous year's high by more than 17 per cent.

PJM Interconnection Power interchanged by Philadelphia Electric with members of the Pennsylvania-New Jersey-Maryland Interconnection set a new record, largely because of substantial purchases of off-peak pumping energy for the Muddy Run pumped-storage hydroelectric plant and increased sales of on-peak energy to other power systems. Significant economies stemmed from this interchange and benefited all members of the interconnection.

Higher Voltage Distribution During 1968, a program continued on schedule to convert portions of the 2400-volt and 4000-volt distribution systems to 13,200 volts. At year-end, circuits supplying over 100,000 customers had been placed in service. Operation at a higher voltage requires fewer substations, reduces the complexity of the distribution system, and is well suited to the Company's growing underground service in residential



areas. The changeover program is producing substantial savings in capital expenditures.

Generating Capacity

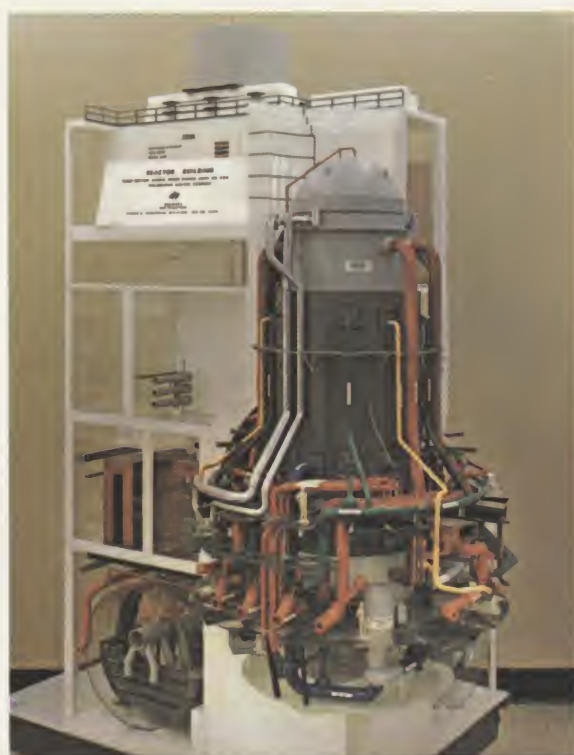
A 9 per cent increase in system generating capacity in 1968 raised the total in service to 5,110,600 kilowatts. Principal additions included the last two 110,000-kilowatt generating units of the Muddy Run pumped-storage hydroelectric plant, and 189,000 kilowatts of steam generation, representing the Company's part ownership of the second generating unit at the Keystone mine-mouth station.

As the chart above indicates, nuclear and mine-mouth power generation will be in-

creased significantly in the next five years, while fossil fuel generation in the Philadelphia area will be reduced by the retirement of older and less efficient coal and oil-fired boilers. Pollution-free atomic power is one of the cleanest methods of producing electricity; so is hydroelectric generation, which the Company has materially expanded during the past five years.

Atomic Energy

By the end of 1968, the No. 1 unit of the Peach Bottom atomic power station had produced 280,000,000 net kilowatt-hours of electrical energy since initial operation began in 1967. Successful operation of the unit's helium-cooled reactor has demonstrated the feasibility of an entirely new concept of nuclear power generation. As a prototype with a modest 40,000-kilowatt capacity, Peach Bottom has provided valuable technical data needed to design future large-scale nuclear plants of this type.



Peach Bottom atomic reactor model

CONSTRUCTION MOVES AHEAD AT PEACH BOTTOM

New Peach Bottom atomic power station, housing nuclear units No. 2 and No. 3, will dwarf present plant No. 1 in background. Red, bottle-shaped vessel will contain nuclear reactor for second unit, scheduled for operation in 1971.





Peach Bottom Units Nos. 2 and 3 Permits to construct two additional nuclear units adjacent to Peach Bottom No. 1 were issued by the Atomic Energy Commission on January 31, 1968. Development of the new plant site entailed extensive excavation, but work progressed rapidly. By the end of the year, field construction was well under way, engineering design for the project was nearly 75 per cent complete, and orders were placed for all major items of equipment. Each of the two units will have a boiling water reactor and a turbine-generator rated at 1,065,000 kilowatts. Unit No. 2 is scheduled for commercial operation in 1971. Unit No. 3 has a 1973 service date.

Philadelphia Electric will own approximately 42 per cent of the new plant, will receive a like portion of the energy produced, and will have sole responsibility for the plant's operation. Public Service Electric and Gas Company of New Jersey, Atlantic City Electric Company, and Delmarva Power & Light Company will share the remaining ownership and output.



Powerhouse at Muddy Run hydroelectric plant

Salem Nuclear Station The Company has a similar interest in the ownership and output of a second nuclear generating station to be built by the same group of utilities on the Delaware River near Salem, New Jersey, for which Public Service Electric and Gas Company received a construction permit from the Atomic Energy Commission in September 1968. The plant will house two pressurized water reactors, each having a turbine-generator with a capacity of approximately 1,100,000 kilowatts. The first unit is scheduled for service in 1972, the second a year later.

In connection with the Salem and Peach Bottom nuclear projects, the four owning companies have scheduled extensive transmission system additions to meet requirements through 1973.

Future Nuclear Capacity Because of increasing lead time required in procuring new nuclear generating equipment, orders were placed in 1967 for two boiling water reactors and associated turbine-generators for service in 1975 and 1977. The location of these units, which will duplicate Peach Bottom No. 2 and No. 3, has not yet been determined. Preliminary engineering work is under way.

Atomic Fuel Purchases To provide fuel for its nuclear power stations, the Company established a long-range procurement program in 1966 with commitments to buy about \$50 million worth of uranium for the Peach Bottom and Salem units. In 1968, a contract was negotiated for the purchase of an additional five million pounds of uranium concentrates to be delivered over a ten-year period beginning in 1973.

Muddy Run Project

Commercial operation of units No. 7 and No. 8 at the Muddy Run pumped-storage hydroelectric plant brought the station to its full



Conemaugh mine-mouth generating station

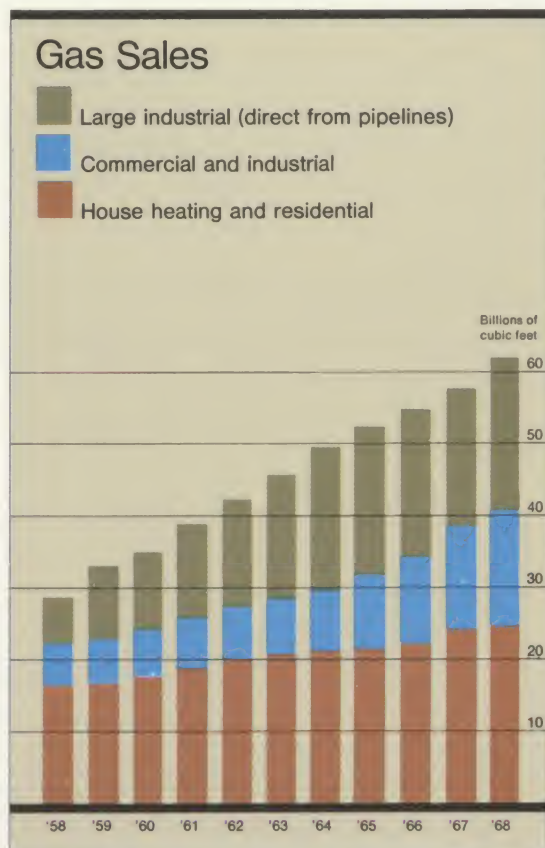
capacity of 880,000 kilowatts on February 10, 1968. Completion of this \$77-million project, which is the largest pumped-storage facility in operation in the country, increased Philadelphia Electric's system capacity by more than 20 per cent.

Mine-Mouth Power

The Keystone mine-mouth station likewise achieved full commercial operation in 1968 when the No. 2 unit was placed in service July 23. Ownership of this plant, near Johnstown, Pa., is shared by Philadelphia Electric and six other utilities in the Pennsylvania-New Jer-

sey-Maryland Interconnection. The Company's approximate one-fifth interest amounts to 380,300 kilowatts of the plant's total capacity of 1,811,000 kilowatts.

Overall construction of the Conemaugh mine-mouth generating station, a twin of Keystone, is on schedule. Work on the first 900,000-kilowatt unit is about 40 per cent complete with operation planned for early 1970. Unit No. 2 will follow in 1971. Philadelphia Electric's share in the ownership and output of this station will be 375,300 kilowatts.



Gas Operations

Gas sendout rose to 64 billion cubic feet in 1968, showing an increase of 7 per cent over the previous year. A record daily sendout of 330.8 million cubic feet was established on December 9.

Gas service was extended to new territory in Chester County by the construction of an eleven-mile main from Coatesville to a new industrial park in Honey Brook. A four-mile main from Avondale was also built to supply new industry in Londonderry.

As part of a continuing improvement program, cast iron pipe is being replaced with pipe having a greater bending strength in areas where road building and other construction projects have undermined or disturbed ground supporting Company mains. The use of special chemicals for stabilizing soils in such areas is also under study.

Plastic Pipe Significant economies in material and installation costs are realized from growing use of plastics instead of metal for mains and services. Recently, an 8300-foot, cast iron main was renewed by inserting six-inch plastic pipe inside the old main. This avoided expensive excavation and marked a major advance in the use of plastics for gas distribution. Previously, only two-inch plastic pipe was in use. During 1968, approximately 528,000 feet of plastic mains and services were installed.

Liquefied Natural Gas Because it is one of the most concentrated forms of energy, the utilization of liquefied natural gas is being



Honey Brook gas main construction

studied for many purposes on the Company's gas system. The probable appeal of this versatile product to customers remote from existing mains, as well as its potential application in industry and as a motor vehicle fuel, gives promise of new markets for the Company.

Steam Service

Steam output in 1968 increased 6.6 per cent to 8.3 billion pounds. On December 10, a new record demand of 2,237,000 pounds an hour was established.

Redevelopment projects in central and West Philadelphia continue to create new demands for steam, as high-rise complexes, such as University City and Penn Center, take the place of older and smaller buildings. To provide for this growth, two new steam generators, with a total capability of 400,000 pounds an hour, and several new transmission mains were added to the steam system in 1968.

Engineering and Research

Philadelphia Electric is a leading participant in the extensive underground transmission re-

search program of the Electric Research Council, a coordinating agency representing all components of the electric utility industry. Many newly designed cable samples are under study at the Council's Waltz Mill high-voltage testing station in western Pennsylvania, the largest of its kind in the world. Study of the artificial cooling of cables and the design of conductors for operation at extremely low temperatures are other important phases of this multimillion-dollar research program.

Computerization Modern computer technology is finding ever wider use in power generation and transmission control, and in the analysis of operating performance. For the engineer, the high-speed digital computer has become a basic tool. Current research projects depending almost entirely on computer technology range from an electric vehicle cost study to weather analysis relating to the design of a nuclear power plant cooling tower. A large digital computer recently installed by the Company provides economical on-site availability for engineering and scientific studies previously handled by outside computer service bureaus.



Atomic spectrophotometer aids research



Water purity is important in steam generation

Management and Personnel

At a meeting of the board of directors on February 26, 1968, George R. Conover, vice president of personnel and public relations, was elected senior vice president of the Company, relinquishing functional departmental duties to assume broader corporate responsibilities. Mr. Conover became manager of public relations in 1939 and was elected a vice president in 1944.

At the same meeting of the board, Henry T. Bryans was elected vice president of personnel and public relations to succeed Mr. Conover. Employed as a junior engineer in 1938, Mr. Bryans was manager of personnel and public relations at the time of his election as vice president.

On September 9, Alfred M. Newill was elected an assistant treasurer, succeeding John P. Breen, retired.

James L. Everett, vice president of engineering and research, was elected a director and executive vice president of the Company

at a meeting of the board on October 28. Mr. Everett, who has been associated with Philadelphia Electric since his employment as a junior engineer in 1950, was named manager of engineering and research in 1962 and vice president in 1966.

Vincent S. Boyer, manager of electric operations, was elected to succeed Mr. Everett on October 28 as vice president of engineering and research. Mr. Boyer joined the Company in 1939 as a cadet engineer. He was named manager of nuclear power in 1963 and manager of electric operations in 1967.

Progressive personnel policies and extensive employee training programs have done much to establish Philadelphia Electric as an efficient service organization. That employment with the Company is attractive is attested by the fact that nearly half of the 10,000 men and women currently employed have service records extending thirteen years or more. Approximately one-third of these, totaling 1650 employees, are members of the Quarter Century Club.



Checking joint in plastic gas main



P.E. EMPLOYEES combine their skills to perform a variety of some 1250 different kinds of jobs.





Students unload portable displays for school demonstration

Open house visitors at Warminster service building



Fishing at Conowingo



Public Relations

Philadelphia Electric employs many avenues of communication to broaden public understanding of the role it plays in the community. Plant tours, open house activities, educational programs, and the development of recreational parks are important elements in its varied public relations program.

Atomic Information Program Construction of additional nuclear facilities at Peach Bottom continues to draw many visitors to the Peach Bottom atomic information center. Since its opening in 1963, more than 370,000 guests have been welcomed to the center.

To tell more widely the story of the atom, a traveling school lecture-demonstration program entitled "Atomic Energy—The Key to Your Future" was initiated in 1968. Stage displays and informal question-answer periods about atomic energy made the presentation entertaining and informative for over 70,000 students and teachers in the more than 100 schools visited during the first year. Philadelphia Electric received the Atomic Industrial Forum Award in recognition of "significant contributions to public understanding of

the peaceful uses of the atom." The award was the first presented to a utility and cited the Company's "well-rounded portrayal of the importance of nuclear energy" through the Peach Bottom information center, school lecture program, and speakers bureau.

Public Recreation New recreational facilities were recently completed at the Conowingo hydroelectric station. Highlighting the improvements are a two-story pavilion and landscaped terrace overlooking the tailrace area below the powerhouse, which has been a favorite fishing spot since Conowingo began operation in 1928. The attractive pavilion houses food-vending machines and has outlets for electric cooking. Infrared heat lamps have been installed for cold weather comfort. Modern restrooms, spacious parking lot, and fish cleaning shed have been added for the enjoyment and convenience of fishermen and their families.

The Muddy Run recreation park, twelve miles above Conowingo, is scheduled for opening in the spring of 1969. Developed by the Company as part of the Muddy Run

pumped-storage project, the park has a 100-acre constant-level lake created especially for recreation. Extensive facilities for fishing, rowboating, picnicking, and camping are expected to attract more than a quarter of a million visitors a year.

The promotion of outdoor recreation at the Company's hydro properties on the Susquehanna River is in keeping with Philadelphia Electric's long-standing policy for developing the full recreational potential of the Conowingo Lake area for the enjoyment of the public.

Public Power As an investor-owned power company, Philadelphia Electric opposes federal encroachment in the power business. It looks on the extension of public power not only as an unnecessary use of tax money in an area adequately served by tax-paying investor-owned utilities, but as a threat to the investment of millions of the nation's investors.

New Service Buildings

A new headquarters for the Company's growing Eastern Division was opened in August in Warminster Township, north of Philadelphia. In addition to accommodating employees in division management, customers service, accounting, sales, and operations, the spacious one-story building provides modern garage, shop, and storage facilities for the electric and gas operating departments. A transportation maintenance center at Howellville, Chester County, and a district service building for



Company headquarters planned for 1970

electric operating forces in South Philadelphia are nearing completion for occupancy early in 1969.

Construction of a new central office headquarters is under way at 23rd and Market Streets in Philadelphia on a site partially occupied at present by the Company's central service building. A 26-story tower building will rise from a landscaped plaza and will be imaginatively lighted at night. The exterior of the existing five-story service building will be completely renovated to blend with the new tower. Completion of the new headquarters, scheduled for the latter part of 1970, will permit centralization of some 2500 employees now working at four separate locations in Center City.



Recently floodlighted Coatesville service building

Stock Ownership

Philadelphia Electric is owned by 110,968 holders of Common Stock and 7382 holders of Preferred shares, approximately half of whom reside in the Company's service area. Individuals hold 51 per cent of the Common shares. With the exception of trust funds and institutional investors, representing the interests of many thousands of people, no shareholder of record owns as much as 1 per cent of the Common Stock. More than half of the Company's employees are shareholders.

Plant Expansion

Expenditures in excess of \$176 million were made in 1968 for plant additions and improvements. Of this amount, \$159 million, or 90 per cent, represented outlays for new electric generating, transmission, and distribution facilities, including the Company's share in the construction of the new Peach Bottom and Salem nuclear plants, and the Keystone and Conemaugh mine-mouth plants. Gas system expenditures totaled \$14 million, and those for the steam system \$3 million.

As indicated in the adjoining chart, the Company's construction program calls for the continuation of substantial investment in new plant, with outlays of \$268 million planned in 1969. Expenditures in the next five years, 1969-1973, are expected to approximate \$1¼ billion, compared with \$591 million in the past five years.

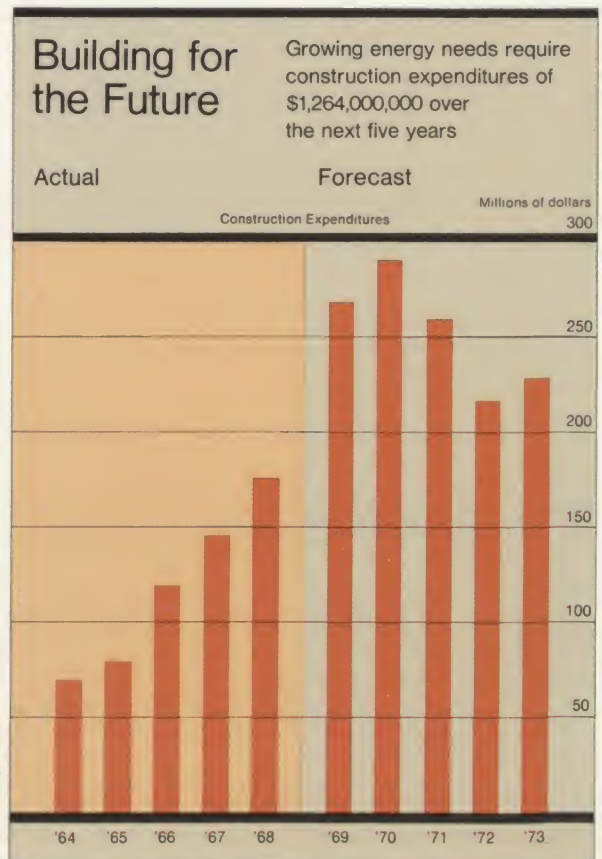
Financing

Large sums for financing the Company's expansion program are available from current operations. Internal sources, principally amounts set aside for depreciation and earnings retained in the business after the payment of dividends, provided 34 per cent of the funds

required for construction in 1968.

Additional funds were obtained from the sale of securities. Through an imaginative program, the Company initiated two forms of financing, new to the utility industry—short-term serial mortgage bonds and commercial paper sold directly to bank trust funds.

Short-term bonds, maturing in one to ten years, attract investment funds from savings banks, pension funds, and other institutional investors which are not usually invested in long-term bonds. Three such issues, aggregating more than \$125 million, were sold by the Company in the past three years. The 1968 issue of \$43 million, maturing in varying amounts from 1969 to 1976, was privately placed in September at an average interest cost of 6.19 per cent. This was lower than the market rate then prevailing for longer term securities.



Direct sales of commercial paper to bank trust funds and sales to other investors through a dealer provide an attractive and flexible form of short-term financing at the lowest interest cost available to the Company. At the end of the year, the Company had \$35 million of such funds and expects to make continued use of this means of financing.

The remaining 1968 financing requirements were supplied by bank loans and a \$60-million issue of mortgage bonds, 6½% Series due 1993, sold through competitive bidding in March at a net interest cost of 6.55 per cent.

Accounting Changes

Two changes in accounting were given regulatory approval in August, which helped temporarily to offset the impact of higher tax rates, higher interest charges, and other increased costs of operation. Both changes were retroactive to January 1, 1968.

Earnings of \$2.13 a share included a total of 27 cents a share as a result of one of these changes, which reduced the period of amortizing the tax savings from investment tax credits from 33½ years to five years. Of this 27 cents, 19 cents represented previously accumulated credits, which would have been written off if the five-year write-off period had been followed from the beginning. The 19 cents (\$5.5 million) was credited to earnings as a nonrecurring extraordinary item.

The second change increased the rate for capitalizing interest during construction from 6 per cent to 6½ per cent to reflect more realistically the current higher cost of funds utilized in the construction program. This larger credit added slightly more than \$300,000, or one cent a share, to earnings.

CUSTOMERS ACCOUNTING included preparation of some 14 million service bills in 1968.





Delaware River marine terminal

Philadelphia Electric Company

Consolidated Statement of Source and Application of Funds

	For the Year Ended December 31	
	1968	1967
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Net Income	\$ 65,638	\$ 63,204
Less:		
Dividends on Preferred and Common Stock	51,308	48,502
Expenses in Connection with Issuance of		
Common Stock	9	640
Earnings Retained, after dividends and other charges ..	14,321	14,062
Noncash Charges (Credits) to Income:		
Depreciation and Amortization of Utility Plant	45,388	41,833
Investment Tax Credit Adjustments	(5,012)	5,063
Sale of:		
Long-Term Debt	103,000	116,745
Common Stock	—	38,018
Commercial Paper	34,911	—
Temporary Investments	1,291	(247)
Increase (Decrease) in Bank Loans	(21,600)	15,425
Net Amounts Received for Antitrust Price Adjustments	2,007	2,439
TOTAL	<u>\$174,306</u>	<u>\$233,338</u>
APPLICATION OF FUNDS		
Additions to Utility Plant	\$176,665	\$145,594
Retirement of Long-Term Debt	8,835	65,000
Sinking Fund Payments on Long-Term Debt	1,375	2,643
Increase (Decrease) in Receivable from Co-owners		
of Jointly Owned Nuclear Generating Station	(8,430)	8,832
Increase (Decrease) in Accrued Federal Income Taxes	(1,447)	8,978
Other, net	(2,692)	2,291
TOTAL	<u>\$174,306</u>	<u>\$233,338</u>



Philadelphia International Airport

Consolidated Statement of Income

For the Year Ended December 31

	1968	1967*
	(Thousands of Dollars)	
OPERATING REVENUE		
Electric	\$325,906	\$300,938
Gas	70,215	66,986
Steam	9,110	8,604
Total Operating Revenue	<u>405,231</u>	<u>376,528</u>
OPERATING EXPENSES		
Operation	180,654	161,466
Maintenance	37,317	34,263
Total Operation and Maintenance	<u>217,971</u>	<u>195,729</u>
Provision for Depreciation and Amortization	<u>45,388</u>	<u>41,833</u>
Provision for Taxes		
Federal Income Taxes	29,841	28,578
State Income Taxes	4,270	4,739
Investment Tax Credit Adjustments—Net	506	5,063
Income Taxes Deferred in Prior Years	(818)	(818)
Taxes, Other than Income	15,816	13,899
Total Provision for Taxes	<u>49,615</u>	<u>51,461</u>
Total Operating Expenses	<u>312,974</u>	<u>289,023</u>
OPERATING INCOME	<u>92,257</u>	<u>87,505</u>
OTHER INCOME	592	779
OTHER INCOME DEDUCTIONS	<u>(606)</u>	<u>(529)</u>
INCOME BEFORE INTEREST CHARGES AND EXTRAORDINARY ITEM	<u>92,243</u>	<u>87,755</u>
INTEREST CHARGES		
Interest on Long-Term Debt	33,646	26,800
Other Interest	2,557	2,607
Interest Charged to Construction	(4,080)	(4,856)
Total Interest Charges	<u>32,123</u>	<u>24,551</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>60,120</u>	<u>63,204</u>
EXTRAORDINARY ITEM	5,518	—
NET INCOME	<u>65,638</u>	<u>63,204</u>
DIVIDENDS ON PREFERRED STOCKS	3,696	3,696
EARNINGS AVAILABLE FOR COMMON STOCK	<u>\$ 61,942</u>	<u>\$ 59,508</u>
EARNINGS PER AVERAGE SHARE OF COMMON STOCK		
Before Extraordinary Item	\$1.94	\$2.13
Extraordinary Item19	—
After Extraordinary Item	<u>\$2.13</u>	<u>\$2.13</u>

*Reclassified to conform with 1968 classification.

The accompanying notes and schedules to financial statements are an integral part of this statement.



Philadelphia Civic Center

Philadelphia Electric Company and Subsidiary Companies

Assets

UTILITY PLANT, at original cost

Electric	
Gas	
Steam	
Common, used in all services	

Less: Accumulated Provision for Depreciation

INVESTMENTS

Nonutility Property	
Antitrust Price Adjustments	
(Noncurrent portion, receivable in installments to 1971)	
Other Investments, at cost	

CURRENT ASSETS

Cash	
Special Deposits	
Temporary Cash Investments	
Accounts Receivable	
Utility Customers	
Merchandising and Jobbing	
Other	
Receivable from Co-owners of Jointly Owned	
Nuclear Generating Station	
Materials and Supplies, at average cost	
Operating and Construction	
Fuel	
Merchandise for Sale	
Prepayments	

DEFERRED DEBITS

Unamortized Debt Discount and Expense	
Other	

TOTAL

December 31

1968

1967

(Thousands of Dollars)

\$1,665,102	\$1,528,036
194,275	183,105
33,545	30,567
58,270	49,826
1,951,192	1,791,534
491,373	459,855
1,459,819	1,331,679
963	1,423
212	2,597
2,844	2,308
4,019	6,328
11,433	11,360
3,982	3,777
198	1,489
25,783	24,600
10,297	8,951
4,771	4,583
402	8,832
17,340	15,052
7,546	7,895
1,104	887
1,724	1,559
84,580	88,985
3,109	2,713
2,118	1,418
5,227	4,131
\$1,553,645	\$1,431,123

The accompanying notes and schedules to financial statements

CONSOLIDATED BALANCE SHEET



New United States Mint

Liabilities

CAPITALIZATION

Stockholders' Equity

Preferred Stock—See Schedule, page 29	
Premium on Preferred Stock	
Common Stock—See Schedule, page 29	
Earnings Retained for Use in the Business	

Long-Term Debt—See Schedule, page 29

CURRENT LIABILITIES

Debt Obligations Due within One Year

Bank Loans—Pending Permanent Financing	
Commercial Paper	
Bond Maturities and Sinking Fund Payments	

Accounts Payable

Customers' Deposits

Taxes Accrued

Federal Income

Other

Interest Accrued

Dividends Declared

Tax Collections Payable

Other

DEFERRED CREDITS

Unamortized Premium on Debt

Accumulated Deferred Income Taxes

Accumulated Deferred Investment Tax Credits

Other

OPERATING RESERVES

CONTRIBUTIONS IN AID OF CONSTRUCTION

TOTAL

December 31

1968

1967

(Thousands of Dollars)

\$ 87,472	\$ 87,472
1,214	1,214
298,269	298,269
227,437	213,116
614,392	600,071
778,746	691,964
1,393,138	1,292,035

26,100	47,700
34,911	—
15,592	9,584
20,459	16,167
2,300	2,346
2,764	1,317
4,399	5,469
8,664	6,703
4,555	4,415
2,954	3,076
745	343
123,443	97,120

175	209
14,710	15,528
6,692	11,704
1,492	585
23,069	28,026

2,937	3,056
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11,058	10,886
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\$1,553,645	\$1,431,123
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Consolidated Statement of Earnings Retained for Use in the Business

	For the Year Ended December 31	
	1968	1967
	(Thousands of Dollars)	
BALANCE, JANUARY 1	\$213,116	\$199,054
ADD—Net Income (from page 25)	65,638	63,204
	<u>278,754</u>	<u>262,258</u>
DEDUCT		
Cash Dividends Declared		
\$4.68 per share on 4.68% Preferred Stock	702	702
\$4.40 per share on 4.4% Preferred Stock	1,209	1,209
\$4.30 per share on 4.3% Preferred Stock	645	645
\$3.80 per share on 3.8% Preferred Stock	1,140	1,140
\$1.64 per share in 1968 and \$1.60 per share in 1967 on Common Stock	47,612	44,806
Expenses in connection with the issuance of Common Stock	9	640
	<u>51,317</u>	<u>49,142</u>
BALANCE, DECEMBER 31	<u>\$227,437</u>	<u>\$213,116</u>

The accompanying notes and schedules to financial statements are an integral part of this statement.

Lybrand, Ross Bros. & Montgomery

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors,
Philadelphia Electric Company,
Philadelphia, Pennsylvania.

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1968, the related statements of income and earnings retained for use in the business and the consolidated statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1967.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1968 and 1967, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, in which we concur, in the method of amortization of investment tax credits, effective January 1, 1968, as explained in Note 4 to the financial statements.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Pennsylvania,
February 7, 1969.

Schedule of Preferred and Common Stock December 31, 1968

	Number of Shares		
	Authorized	Outstanding	Amount
PHILADELPHIA ELECTRIC COMPANY			(Thousands of Dollars)
Preferred Stock (\$100 par) cumulative			
4.68% Series	150,000	150,000	\$ 15,000
4.4% Series	500,000	274,720	27,472
4.3% Series	150,000	150,000	15,000
3.8% Series	300,000	300,000	30,000
Unclassified	400,000	—	—
Total Preferred Stock	1,500,000	874,720	\$ 87,472
Common Stock—no par	40,000,000	29,031,919	\$298,269

Schedule of Long-Term Debt December 31, 1968

		DUE WITHIN ONE YEAR
		Shown Under Current
	LONG-TERM	Liabilities
PHILADELPHIA ELECTRIC COMPANY	(Thousands of Dollars)	
First and Refunding Mortgage Bonds		
2¾ % Series due 1971	\$ 20,000	—
2¾ % Series due 1974	65,000	—
27⁄8 % Series due 1978	25,000	—
2¾ % Series due 1981	30,000	—
3¼ % Series due 1982	35,000	—
3⅛ % Series due 1983	20,000	—
3⅛ % Series due 1985	50,000	—
4¾ % Series due 1986	50,000	—
4⅝ % Series due 1987	40,000	—
3¾ % Series due 1988	40,000	—
5% Series due 1989	50,000	—
4½ % Series due 1994	50,000	—
6% Series due 1968-73	31,850	\$ 4,670
5¼ % Series due 1968-73	2,215	800
5¾ % Series due 1977	34,000	—
6⅛ % Series due 1997	75,000	—
6½ % Series due 1993	60,000	—
6% Series due 1969	—	8,500
6⅛ % Series due 1970	3,000	—
6¼ % Series due 1971-76	31,500	—
	712,565	13,970
Sinking Fund Debentures		
4.85% Series due 1986	33,600	800*
Total Philadelphia Electric Company	746,165	14,770
PHILADELPHIA ELECTRIC POWER COMPANY— A WHOLLY OWNED SUBSIDIARY		
First Mortgage Bonds, 2⅝ % Series dues 1975	7,581	822*
Sinking Fund Debentures, 4½ % due 1995	25,000	—
Total Long-Term Debt	\$778,746	\$15,592

*Sinking fund payments.

Notes to Financial Statements (Thousands of Dollars)

1. UTILITY PLANT

Utility plant construction expenditures for the year 1969 are estimated at \$268,000.

The Company and its subsidiaries are subject to the provisions of the Federal Power Act with respect to its two licensed hydroelectric projects, the licenses for which expire in 1976 and 2014. Upon expiration of a license, certain provisions of the Act permit the United States Government to relicense the project to the original licensee or, upon the payment to the original licensee of its "net investment" in the project plus severance damages, to take over the project or issue a license to another licensee. The Federal Power Commission issued an order relating to the methods for calculating such "net investment" on September 27, 1968, but subsequently granted a rehearing with respect to the order. The Company estimates that if the order becomes effective in its present form there will be no difference between the net investment determined in accordance with the order and the depreciated original cost with respect to the Conowingo project should that project be recaptured or licensed to another upon expiration of the license in 1976, but that, with respect to the Muddy Run project, net investment determinations would reflect an amount substantially less than the depreciated original cost of the project upon expiration of the license in 2014. The Company will participate in the rehearing in an effort to have the order modified or suspended.

2. DEPRECIATION

For financial reporting purposes, the Company provides for depreciation over the estimated service lives of the property on a straight-line basis. Shorter property lives permitted by the Internal Revenue Service "Depreciation Guidelines" and a liberalized method are used in computing depreciation for income tax purposes. Income tax reductions, reflecting higher depreciation for income tax purposes, reduce current operating expenses in accordance with the regulatory commission treatment for rate-making purposes.

3. ACCUMULATED DEFERRED INCOME TAXES

This item represents the balance of income taxes deferred on property subject to five-year amortization pursuant to certificates of necessity, which is being credited to income over the remaining life of the related property at the rate of \$818 per year.

4. INVESTMENT TAX CREDIT

Federal income tax expense reflects reductions of \$3,215 for 1968 and \$5,445 for 1967, representing the investment tax credit arising from the investment in new plant placed in service during these years. Such tax savings are spread by making charges to income equivalent to the tax reduction and accumulating such amounts in a deferred account, which is subsequently amortized by credits to income. Prior to January 1, 1968, these reductions were amortized over a 33 $\frac{1}{3}$ -

year period at the rate of 3 per cent a year. The Company has received regulatory approval to change the period of amortization to five years at the rate of 20 per cent a year, effective January 1, 1968, and to take into income for the year 1968 the additional amount of \$5,518 as a nonrecurring extraordinary item, representing previously accumulated deferred tax credits. The increased amortization resulting from use of the 20 per cent rate and the extraordinary item partially offset the impact of higher tax rates and other increased costs by adding \$7,749 to earnings for 1968. The total investment tax credits realized to date aggregate \$15,930, of which \$8,227 (including the addition to earnings described above) was credited to income in 1968 and \$382 in 1967.

5. PENSION PLAN

The Company has a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned prior to retirement. The annuities are paid out of an irrevocable trust fund, to which the Company makes annual contributions sufficient to meet actuarial requirements. Actuarial studies, which take market appreciation of securities into consideration, indicate that the requirement for past service cost is fully funded. Contributions aggregated \$5,800 for both 1968 and 1967, of which approximately 30 per cent in 1968 and 24 per cent in 1967, associated with construction labor, was included in the cost of new utility plant.

6. APPLICATION FOR INCREASED RATES

On December 5, 1968, the Company filed new tariffs for electric and steam service with the Pennsylvania Public Utility Commission. These new tariffs were to become effective on February 3, 1969, and were designed to increase electric revenues by about \$30,800 annually and steam revenues by about \$800 annually, based on the current level of business. The Commission allowed the increased steam tariff to become effective, but on January 27, 1969, ordered hearings to determine the reasonableness of the increased electric rates, which it suspended until August 3, 1969. The increased electric rates may be approved, rejected, or modified at any time during the suspension period and they may also be suspended for an additional three months.

7. SALES OF PREFERRED STOCK (Dollars)

On February 5, 1969, the Company offered for sale 400,000 shares of 7% Preferred Stock (\$100 par) at a price of \$100 per share pursuant to a registration statement which became effective on February 4, 1969, with settlement for 331,500 shares on February 18, 1969, and the remaining 68,500 shares subject to delayed delivery contracts providing for delivery and payment on May 1 and August 1, 1969.

Fiscal Agents for Stocks and Bonds

PHILADELPHIA ELECTRIC COMPANY Preferred and Common Stocks

Registrars
GIRARD TRUST BANK
Broad & Chestnut Streets, Philadelphia, Pa. 19101
CHEMICAL BANK NEW YORK TRUST CO.
20 Pine Street, New York, N.Y. 10015

Transfer Agents
PHILADELPHIA ELECTRIC COMPANY
1000 Chestnut Street, Philadelphia, Pa. 19105
MORGAN GUARANTY TRUST CO. of N.Y.
30 West Broadway, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—First Mortgage Bonds
Trustee
THE FIDELITY BANK
Broad & Walnut Streets, Philadelphia, Pa. 19109
New York Agent
MORGAN GUARANTY TRUST CO. of N.Y.
23 Wall Street, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—Sinking Fund Debentures
Trustee
THE PHILADELPHIA NATIONAL BANK
Broad & Chestnut Streets, Philadelphia, Pa. 19101
New York Agent
IRVING TRUST COMPANY
One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds which were sold privately to institutional investors, are listed on the Philadelphia-Baltimore-Washington Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company bonds and debentures are listed on the Philadelphia-Baltimore-Washington Stock Exchange.

Financial Statistics

SUMMARY OF EARNINGS (MILLIONS OF DOLLARS)

	1968	1967	1966	1965	1964	1963	1958
Operating Revenue (for details see page 32) ..	\$405.2	\$376.5	\$357.9	\$340.9	\$323.8	\$314.4	\$249.5
Operating Expenses							
Labor	86.3	81.4	76.1	73.3	70.4	67.5	51.5
Fuel	93.7	85.6	78.3	71.9	68.5	67.6	58.8
Net Energy Interchanged	5.3	(1.6)	8.2	5.2	4.8	4.6	(0.9)
Other Materials, Supplies, and Services	32.7	30.3	24.8	27.1	25.0	24.4	17.6
Total Operation and Maintenance	218.0	195.7	187.4	177.5	168.7	164.1	127.0
Depreciation and Amortization	45.4	41.8	39.0	38.1	34.6	33.6	31.0
Taxes, including Provision for Deferred Taxes	49.6	51.5	50.0	47.7	47.0	47.7	43.4
Total Operating Expenses	313.0	289.0	276.4	263.3	250.3	245.4	201.4
Operating Income	92.2	87.5	81.5	77.6	73.5	69.0	48.1
Other Income	0.6	0.8	0.5	0.8	0.5	0.7	0.1
Other Income Deductions	(0.6)	(0.5)	(0.5)	(0.6)	(0.5)	(0.5)	(0.3)
Income Before Interest Charges and Extraordinary Item	92.2	87.8	81.5	77.8	73.5	69.2	47.9
Interest Charges							
Long-Term Debt	33.6	26.8	23.0	22.4	20.8	19.5	12.6
Other Interest	2.6	2.6	1.5	0.4	1.2	1.0	0.8
Charged to Construction (Credit)	(4.1)	(4.8)	(3.9)	(1.5)	(1.3)	(1.5)	(4.8)
Total Interest Charges	32.1	24.6	20.6	21.3	20.7	19.0	8.6
Income Before Extraordinary Item	60.1	63.2	60.9	56.5	52.8	50.2	39.3
Extraordinary Item	5.5	—	—	—	—	—	—
Net Income	65.6	63.2	60.9	56.5	52.8	50.2	39.3
Dividends on Preferred Stock (including \$1 Dividend Preference Common Stock in 1958)	3.7	3.7	3.7	3.7	3.7	3.7	4.0
Earnings for Common Stock	61.9	59.5	57.2	52.8	49.1	46.5	35.3
Dividends on Common Stock	47.6	44.8	40.7	39.6	36.3	35.2	25.6
Earnings Retained for Use in the Business	\$14.3	\$14.7	\$16.5	\$13.2	\$12.8	\$11.3	\$9.7
Earnings per Average Share (dollars)							
Before Extraordinary Item	\$1.94	\$2.13	\$2.08	\$1.92	\$1.79	\$1.71	\$1.38*
Extraordinary Item19	—	—	—	—	—	—
After Extraordinary Item	\$2.13	\$2.13	\$2.08	\$1.92	\$1.79	\$1.71	\$1.38*
Dividends Paid per Share (dollars)	\$1.64	\$1.60	\$1.48	\$1.44	\$1.32	\$1.29	\$1.00*

SUMMARY OF FINANCIAL CONDITION—DECEMBER 31 (MILLIONS OF DOLLARS)

ASSETS AND OTHER DEBITS

Utility Plant, at Original Cost	\$1,951.2	\$1,791.5	\$1,657.7	\$1,553.4	\$1,489.6	\$1,445.9	\$1,125.5
Less: Accumulated Provision for Depreciation ..	491.4	459.8	429.0	402.5	379.2	355.2	242.7
Total Utility Plant, less Reserve	1,459.8	1,331.7	1,228.7	1,150.9	1,110.4	1,090.7	882.8
Plant Acquisition Adjustments	—	—	—	—	—	—	1.5
Other Property and Investments	4.0	6.3	8.1	9.7	11.8	2.1	2.7
Current and Accrued Assets							
Cash	11.4	11.4	9.4	10.8	9.3	12.3	19.5
Accounts Receivable	41.3	47.0	34.2	31.8	32.6	24.8	19.5
Materials and Supplies	26.0	23.8	22.4	21.4	20.3	21.2	20.2
Temporary Cash Investments	0.2	1.5	1.3	1.7	5.0	—	—
Other	5.7	5.3	4.2	5.2	5.1	6.0	7.3
Deferred Debits	5.2	4.1	5.3	4.9	7.9	5.2	4.7
Total Assets and Other Debits	\$1,553.6	\$1,431.1	\$1,313.6	\$1,236.4	\$1,202.4	\$1,162.3	\$958.2

LIABILITIES AND OTHER CREDITS

Preferred Stock, including Premium	\$88.7	\$88.7	\$88.7	\$88.7	\$88.7	\$88.7	\$88.7
Common Stock	298.3	298.3	260.3	256.3	256.3	256.3	216.4
Earnings Retained for Use in the Business	227.4	213.1	199.0	182.5	169.3	156.5	106.7
Total Stockholders' Equity	614.4	600.1	548.0	527.5	514.3	501.5	411.8
Long-Term Debt	778.7	692.0	651.3	612.9	590.2	542.4	464.4
Current and Accrued Liabilities							
Bank Loans	26.1	47.7	32.3	10.5	19.6	38.3	—
Other Short-Term Debt	50.5	9.6	1.5	1.0	1.1	1.2	1.6
Taxes Accrued	7.2	6.8	13.7	19.0	16.0	19.7	23.3
Other Charges	39.6	32.9	29.4	28.5	25.3	25.1	27.1
Deferred Credits	23.1	28.0	23.8	23.6	23.2	22.3	21.0
Operating Reserves	2.9	3.1	3.0	3.2	3.0	2.7	1.9
Contributions in Aid of Construction	11.1	10.9	10.6	10.2	9.7	9.1	7.1
Total Liabilities and Other Credits	\$1,553.6	\$1,431.1	\$1,313.6	\$1,236.4	\$1,202.4	\$1,162.3	\$958.2

* Restated to reflect two-for-one stock split in 1961.

Operating Statistics

	1968	1967	1966	1965	1964	1963	1958
ELECTRIC OPERATIONS							
Output (millions of kilowatt-hours)							
Steam	17,865	17,087	16,007	15,133	14,263	13,511	10,949
Nuclear	124	144	—	—	—	—	—
Hydraulic	1,586	1,895	1,304	1,117	1,088	945	1,382
Pumped-Storage Output	1,429	400	—	—	—	—	—
Pumped-Storage Input	(1,971)	(555)	—	—	—	—	—
Purchased and Net Interchange	2,917	1,090	2,000	1,606	1,341	1,202	(97)
Internal Combustion	126	53	19	6	3	3	—
Other	33	56	—	—	—	—	—
Total Electric Output	22,109	20,170	19,330	17,862	16,695	15,661	12,234
Sales (millions of kilowatt-hours)							
Residential	5,330	4,763	4,457	4,168	3,847	3,613	2,732
Small Commercial and Industrial	2,256	2,125	2,087	2,003	1,912	1,823	1,542
Large Commercial and Industrial	11,961	10,724	10,267	9,470	8,749	8,143	5,922
All Other	1,075	1,091	1,113	1,097	1,087	1,068	1,070
Total Electric Sales	20,622	18,703	17,924	16,738	15,595	14,647	11,266
Number of Customers, Dec. 31 (thousands)							
Residential	1,035	1,021	1,007	986	969	954	887
Small Commercial and Industrial	137	139	142	149	150	151	154
Large Commercial and Industrial	5	5	5	5	4	4	3
All Other	2	2	1	2	2	2	2
Total Electric Customers	1,179	1,167	1,155	1,142	1,125	1,111	1,046
Operating Revenue (millions of dollars)							
Residential	\$121.3	\$110.7	\$104.6	\$ 99.1	\$ 92.7	\$ 89.5	\$ 71.0
Small Commercial and Industrial	56.5	54.0	53.0	51.7	49.6	49.2	43.4
Large Commercial and Industrial	126.2	115.5	110.0	103.5	98.0	94.5	72.6
All Other	21.9	20.7	20.3	19.8	19.3	19.0	16.6
Total Electric Revenue	\$325.9	\$300.9	\$287.9	\$274.1	\$259.6	\$252.2	\$203.6
Residential Sales							
Average Use per Customer (kilowatt-hours)	5,187	4,699	4,477	4,263	4,002	3,815	3,102
Average Revenue per Kilowatt-hour	2.28¢	2.33¢	2.35¢	2.38¢	2.41¢	2.48¢	2.60¢
Electric Peak Load							
Net Hourly Demand (thousand kw.)	4,375	3,727	3,673	3,366	3,134	2,926	2,222
Net Electric Generating Capability (thous.kw.)	5,111	4,678	3,663	3,663	3,669	3,410	2,613
Average Cost of Fuel per Ton	\$8.60	\$8.51	\$8.21	\$8.06	\$8.11	\$8.58	\$9.87
Btu per Net Kilowatt-hour Generated	10,867	10,689	10,648	10,397	10,409	10,428	10,995
GAS OPERATIONS							
Sales (millions of cubic feet—natural gas)							
Residential	2,341	2,309	2,231	2,233	2,297	2,313	2,196
House Heating	22,447	22,197	20,343	19,642	19,221	18,936	14,672
Commercial and Industrial	14,561	13,006	11,018	9,446	8,032	7,323	5,467
All Other	1,233	1,155	810	516	184	57	54
Subtotal from Distribution System	40,582	38,667	34,402	31,837	29,734	28,629	22,389
Direct from Pipelines	20,989	18,962	20,294	20,453	19,833	16,959	6,354
Total Gas Sales	61,571	57,629	54,696	52,290	49,567	45,588	28,743
Number of Customers, Dec. 31 (thousands)							
Residential	98	99	100	101	103	104	110
House Heating	141	136	132	128	123	123	97
Commercial and Industrial	21	21	20	20	19	15	14
Total Gas Customers	260	256	252	249	245	242	221
Operating Revenue (millions of dollars)							
Residential	\$ 5.7	\$ 5.6	\$ 5.5	\$ 5.5	\$ 5.6	\$ 5.7	\$ 5.6
House Heating	38.0	37.6	34.6	33.4	33.0	32.5	24.4
Commercial and Industrial	17.0	15.3	13.0	11.2	9.6	8.8	6.2
All Other	0.6	0.6	0.4	0.3	0.2	0.1	0.1
Subtotal from Distribution System	61.3	59.1	53.5	50.4	48.4	47.1	36.3
Direct from Pipelines	8.6	7.6	8.1	8.3	8.0	7.0	2.4
Other Revenue	0.3	0.3	0.3	0.3	0.2	0.3	0.9
Total Gas Revenue	\$70.2	\$67.0	\$61.9	\$59.0	\$56.6	\$54.4	\$39.6
STEAM OPERATIONS							
Sales (millions of pounds)	7,578	7,252	6,674	6,528	6,260	6,136	4,712
Number of Customers, Dec. 31	1,180	1,157	1,154	1,139	1,127	1,115	1,033
Total Steam Revenue (millions of dollars)...	\$9.1	\$8.6	\$8.1	\$7.8	\$7.6	\$7.8	\$6.2

AREA SERVED BY PHILADELPHIA ELECTRIC COMPANY SYSTEM

Covering 2400 square miles
with a population of 3,900,000

ELECTRIC GENERATING STATIONS

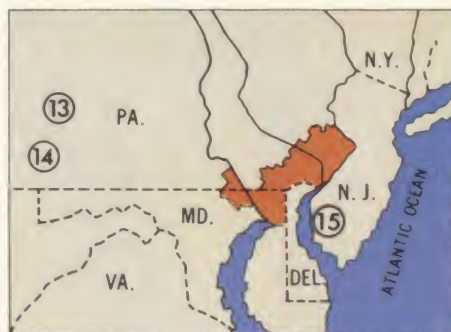
IN SERVICE	Net Installed Capacity (Kilowatts)
Chester	274,700
Eddystone	721,600
Southwark	465,000
Schuylkill	316,800
Delaware	447,800
Richmond	466,700
Cromby	368,700
Barbadoes	231,000
Plymouth Meeting	6,000
Conowingo (Hydro)	512,000
Muddy Run (Pumped-Storage)	880,000
Peach Bottom (Nuclear)	40,000
Keystone (P.E. Portion)	380,300
Total in Service	5,110,600

AUTHORIZED ADDITIONS

P.E. Owned	
Gas Turbines	149,100
Jointly Owned (P.E. Portion)	
Peach Bottom (Nuclear)	905,000
Conemaugh (Mine-Mouth)	375,300
Salem (Nuclear)	938,000

GAS PLANTS

- West Conshohocken
- Chester

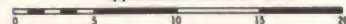


Philadelphia Electric Service Area Shown in Red

LEGEND

- ELECTRIC AND GAS SERVICE
- ELECTRIC SERVICE ONLY
- GAS SERVICE ONLY
- STEAM SERVICE

Approximate scale of miles



**Southeast
Pennsylvania
has it!**



PHILADELPHIA ELECTRIC COMPANY